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ORIGINAL
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Cyndie Eby
 Executive Director
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FEDERAL COMMUNICATIONS COMMISSION
 OFFICE OF SECRETARY

March 7, 1996

Mr. William F. Caton
 Secretary
 Federal Communications Commission
 1919 M Street, NW, Room 222, SC-1770
 Washington, DC 20554

RE CC Docket 95-185 - Interconnection Between LECs and CMRS
 Providers
 CC Docket No. ^{1/4}~~95-54~~ Equal Access & Interconnection Obligations
 Pertaining to CMRS Providers

Dear Mr. Caton:

Today, U S WEST representatives met with representatives of the Wireless Telecommunications Bureau and the Common Carrier Bureau to discuss its views relative to the above referenced proceedings. USW expressed the view that good faith negotiations have resulted in reasonable interconnection arrangements and products designed to meet the needs of the CMRS industry. In addition, USW stated that an interim interconnection plan is unnecessary and that the Commission should attempt to achieve their objective in its upcoming Interconnection Proceeding. Details of the presentation are attached.

U S WEST Communication, Inc. was represented by Ken Denman, Vice President-Wireless Markets Group, Keith Galitz, Executive Director -Business Development-Wireless Markets Group, Larry Sarjeant, Vice President, Federal Regulatory and Cyndie Eby, Executive Director, Federal Regulatory.

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Mr. William F. Caton
March 7, 1996
Page 2

The Wireless Telecommunications Bureau was represented by Rosalind Allen, Associate Bureau Chief, Jay Markley, Senior Policy Associate, Kathryn O'Brian, Walter Strack, Economist, and Zenji Nakasawa. The Common Carrier Bureau was represented by Kathleen Franco, Policy Division, and Steve Wiengarten, Tariff Division.

In accordance with Section 1.1206 (a)(2) of the Commission's rules, the original and one copy of this letter are being filed with your office.


Acknowledgment and date of receipt of this transmittal is requested. A duplicate of this letter is included by this purpose.

Sincerely,

Cyndie Elzy

Attachment

cc: Ms. Rosalind Allen
Mr. Jay D. Markley, Jr.
Ms. Kathleen Franco
Mr. Walter Strack
Ms. Kathryn O'Brian
Mr. Steve Weingarten
Zenji Nakasawa



USWC Ex Parte - CMRS Interconnection

I. Pages 1 - 8

USWC Type 2 interconnection rates are reasonable and are reflective of the results of good faith negotiations.

- A. Rates have gone from a two-tiered arrangement of \$.1067 for toll and \$.0324 for local to \$.0245 for Type 2A; and \$.0206 for Type 2B.
- B. Growth discount credits provide an effective rate of \$.0226 and \$.0191, respectively.
 - 1. Growth Discounts are available to all CMRS's, including PCS
 - 2. Growth Discounts can be used effectively by small and large CMRS's
- C. CMRS interconnection represents a cost of approximately 3% of CMRS MOU revenue.
- D. Interconnection charges do not impede CMRS's ability to compete in the local loop market.
 - 1. CMRS's may find it difficult to compete against LEC residential rates only because these rates are set below cost, in compliance with state Universal Service objectives.
 - 2. CMRS's retail charges will decline as additional players enter the market.
 - 3. CMRS's currently charge for calls their subscribers originate as well as receive; with CPP, which PCS plans to implement on its service, the wireless service will be more competitively priced.
 - 4. Wireless subscribers would probably be willing to pay somewhat more for a service that substituted their 1FR and also provided wireless capabilities.
- E. CMRS's enjoy a more favorable interconnection arrangement than IXC's, with unique charges and terms negotiated in good faith over the last decade.

II. Pages 9 - 12

Interconnection terms and arrangements have been consistently negotiated in good faith, with various options available today to CMRS's.

- A. Type 2A & 2B and other connections are available from the LECs.
- B. ILECs, ALTs and AECs (C-LECs) may also provide interconnection or transport.
- C. USWC does not bill End Office Charges to IXC's for calls initiated by cellular carriers.
- D. USWC does not charge CMRS's usage charges for calls transiting to or from IXC's.

III. Pages 13 - 14

Various products and services have been developed to meet the unique needs of CMRS's.

- A. Calling Party Pays was developed to meet the request for compensation and billing for land-to-mobile traffic. Premiums are charged by CMRS's to the landline calling party and CPP subscriber. CMRS's CPP charge to the landline party recovers premium air time and B&C charges they pay to the LEC. CPP subscriber pays a monthly CPP price plan fee in addition to its monthly service fee.
 - 1. CPP could be a model for reciprocal compensation.
 - 2. PCS business plans project using CPP as a billing standard.
 - 3. Paging will be a big growth area for CPP.

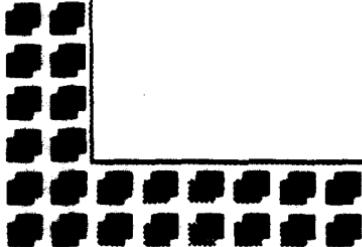
B. Wide Area Calling stimulates CMRS usage and was developed to meet their need for a toll specific product.

1. New entrants and Pagers are now placing orders for WAC.

IV. Pages 18 - 23

Conclusions

- A. Today, CMRS interconnection is under regulation in all USWC states and contributes to the intrastate rate base.
1. CMRS interconnection revenue contributes to USWC's ability to meet its state-mandated Universal Service obligations
- B. Interim Bill and Keep is not necessary- good faith negotiations have worked and the existing relationship has spawned new products and services.
1. Traditionally, B&K was for local traffic exchanged between companies with separate franchise areas, with common Universal Service obligations.
 2. With separate franchise areas, companies could not build new POPs to minimize their interconnection expenses and to maximize their use of the other carrier's network, as C-LECs and CMRS can.
 3. LEC local traffic was most frequently flat-rated: therefore, the convenience of not having to deploy measuring equipment to bill this usage was considered to be worth the billing inaccuracies. CMRS M-L traffic is all measured.
 4. LEC-LEC local traffic was transmitted across similar network structures, with similar network costs. USWC carries 92% of CMRS MOUs to a tandem, probably incurring a much higher cost than CMRS's.
- C. Bill and Keep will promote network inefficiencies and drastically change the relationship between the LEC and CMRS.
1. B&K would amount to a subsidy from ratepayers to wireless subscribers.
 2. Today, USWC often provisions service for CMRS's at great expense, in remote and isolated areas, and under difficult time frames.
- D. The existing Agreement, negotiated in good faith, does not expire prior to 12/31/96. The existing agreement should be honored.
- E. Technology to compete in the local loop should not determine the jurisdiction or cost of interconnection.
1. With mergers between IXCs, LECs, CMRS, C-LECs, LECs will not be able to determine the type of carrier sending the traffic.
 2. The type of interconnection--i.e., end office or tandem--should determine the arrangements.
- F. A decision should occur in order to provide a uniform method of charging for interconnection. Interconnection and access must be addressed in tandem, and CMRS interconnection should not be separate. Good faith negotiations, telecom legislation, and competitive pressure will work in the interim.



**WIRELESS INTERCONNECTION AND
U S WEST COMMUNICATIONS**

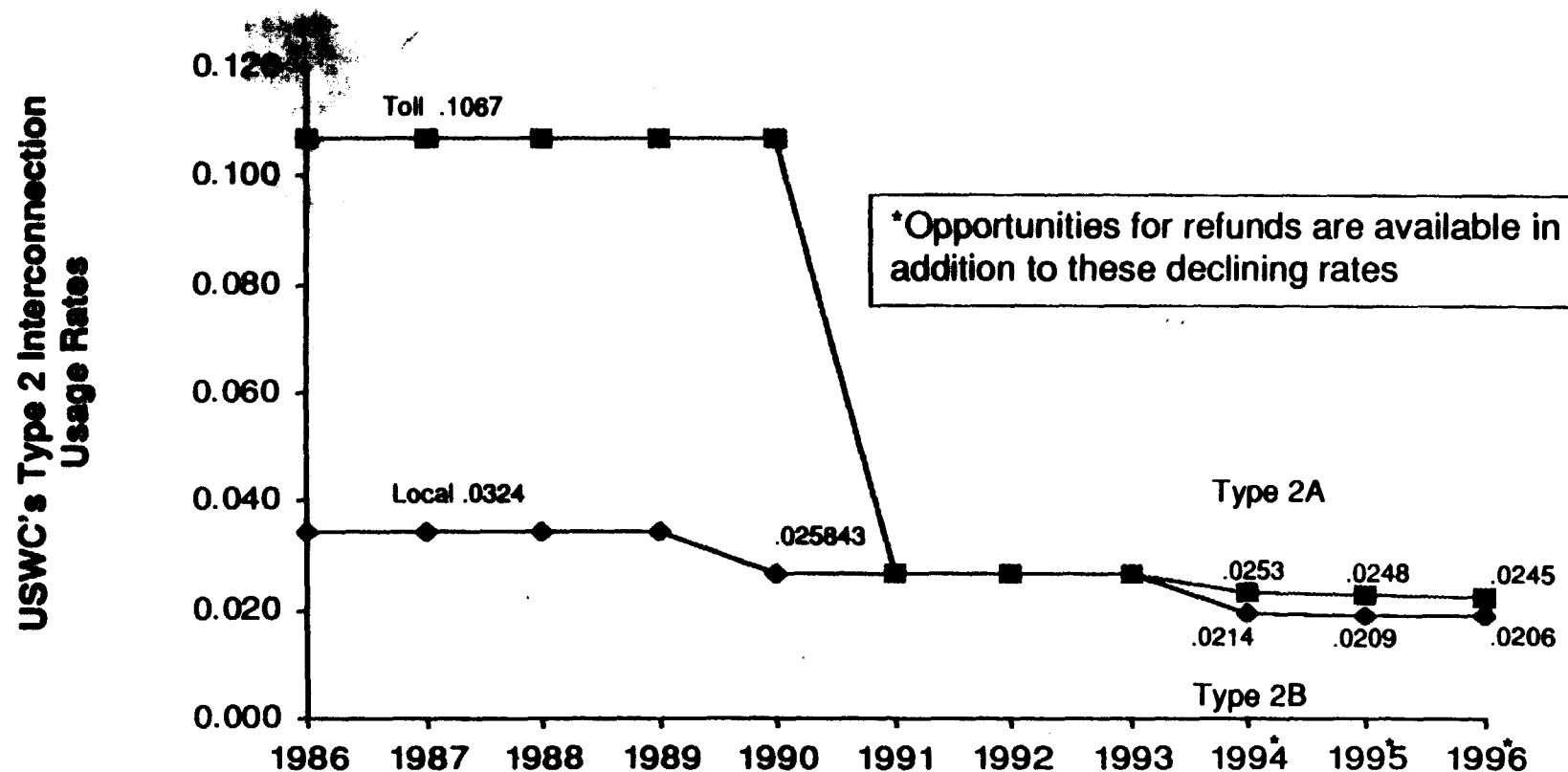
***Ken Denman, Vice President
Wireless Markets Group
U S WEST Communications***



CMRS INTERCONNECTION AND U S WEST COMMUNICATIONS

- Good faith negotiations have resulted in reasonable interconnection arrangements and products designed to meet the needs of the CMRS industry.
- Policy implications
- Conclusions

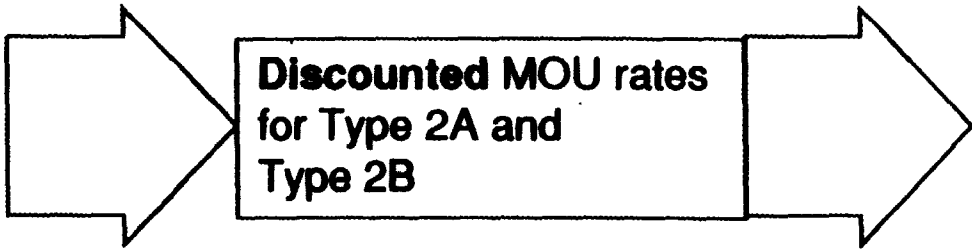
USWC's INTERCONNECTION RATES HAVE BEEN REASONABLE AND DECLINING



"Cellular companies and LECs have negotiated and implemented satisfactory interconnection agreements." CTIA , Docket 94-54

DISCOUNTS OFFERED BY USWC TO STIMULATE CMRS GROWTH

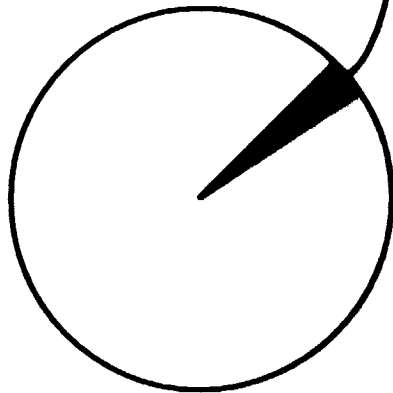
- All CMRS customers including new entrants--regardless of size-- have the opportunity to reduce their interconnection costs as their business grows

If CMRS' Total Recurring Billing Grow at Least...	The CMRS Is Charged..	<u>Plus</u> an Additional Refund on Their Year's Recurring and Usage Charges of..
15%	 <p>Discounted MOU rates for Type 2A and Type 2B</p>	N/A
22%		2.0%
27%		4.0%
32%		5.5%
37%		7.0%
42%		8.5%
47% or greater		10.0%

In 1995, CMRS's were charged effective rates of: \$0.0226 for Type 2A; \$0.0191 for Type 2B.

**TERMINATING INTERCONNECTION MOU CHARGES
ARE APPROXIMATELY 3% OF CMRS MOU REVENUE**

**\$1.58 USWC Effective
Interconnection Charge**



\$44.00 CMRS Revenue

■ **EXAMPLE:** Assuming 100 MOU

CMRS Charges its Subscribers

100 MOU x \$0.44* per MOU = \$44.00

* Source: MTA/EMCI, 1994

**USWC Charges CMRS - Mobile to
Land Only**

70* MOU x \$0.0226 per MOU = \$1.58

*Actual MOU would be less than 70 because
USWC does not charge for mobile to land
interlata traffic

**"Favorable rates are currently obtainable under the existing system..." Western Wireless,
Docket 94-54**

CTIA'S ASSERTION

"The wireless industry cannot compete to provide local service if the typical wireline consumer using 1200 minutes per month (and paying approximately \$25) must pay the LEC \$36 just for wireless access charges."

The Facts:

Landline consumers pay for calls they originate:

- USWC landline residential consumer monthly originations:
 - ☐ Median, 97 minutes
- Effective CMRS rate of .0226, CMRS would pay:
 - ☐ Median Customer, \$2.19
 - ☐ However, the CMRS would bill the consumer airtime on both originating and terminating calls.

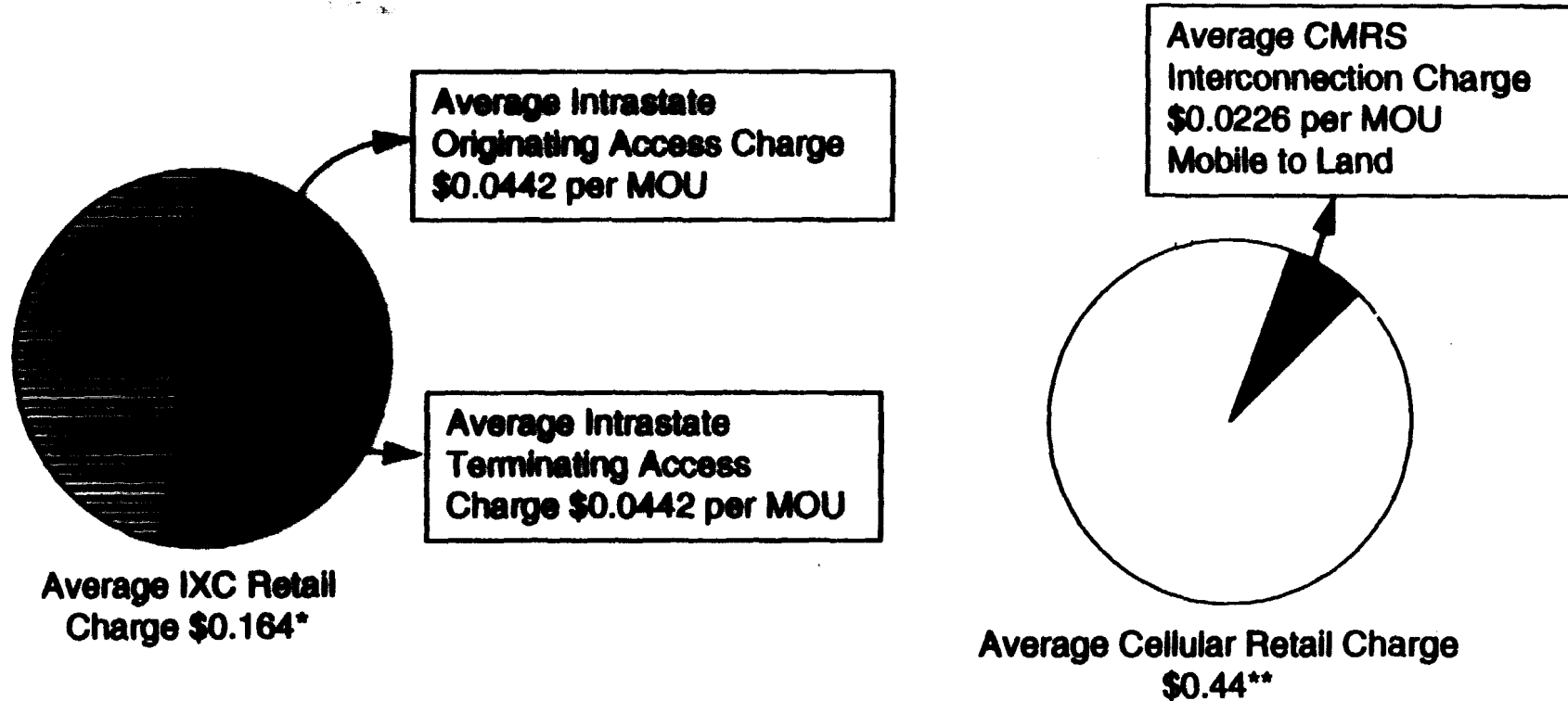
Interconnection charges do not impede CMRS ability to compete in the local loop.

**NEGOTIATIONS HAVE RESULTED IN TERMS AND
CONDITIONS THAT ARE REASONABLE AND MEET
THE UNIQUE NEEDS OF CMRS**

- Unlike IXC's, CMRS's are:
 - Charged usage only for traffic terminating to USWC
 - Charged usage for completed calls only
 - Not charged for call setup
 - Not charged CCL
 - Only required to have an interconnection to an access tandem where they have a local calling presence
- No usage is paid to USWC by CMRS's for traffic to or from IXCs

" The success of this process is further demonstrated by the relatively few complaints received by the Commission in connection with cellular/LEC interconnection arrangements." *McCaw, Docket 94-54*

**COMPARISON OF USWC INTERCONNECTION AND
INTRASTATE SWITCHED ACCESS CHARGES AS
PERCENTS OF CARRIERS' RATES**



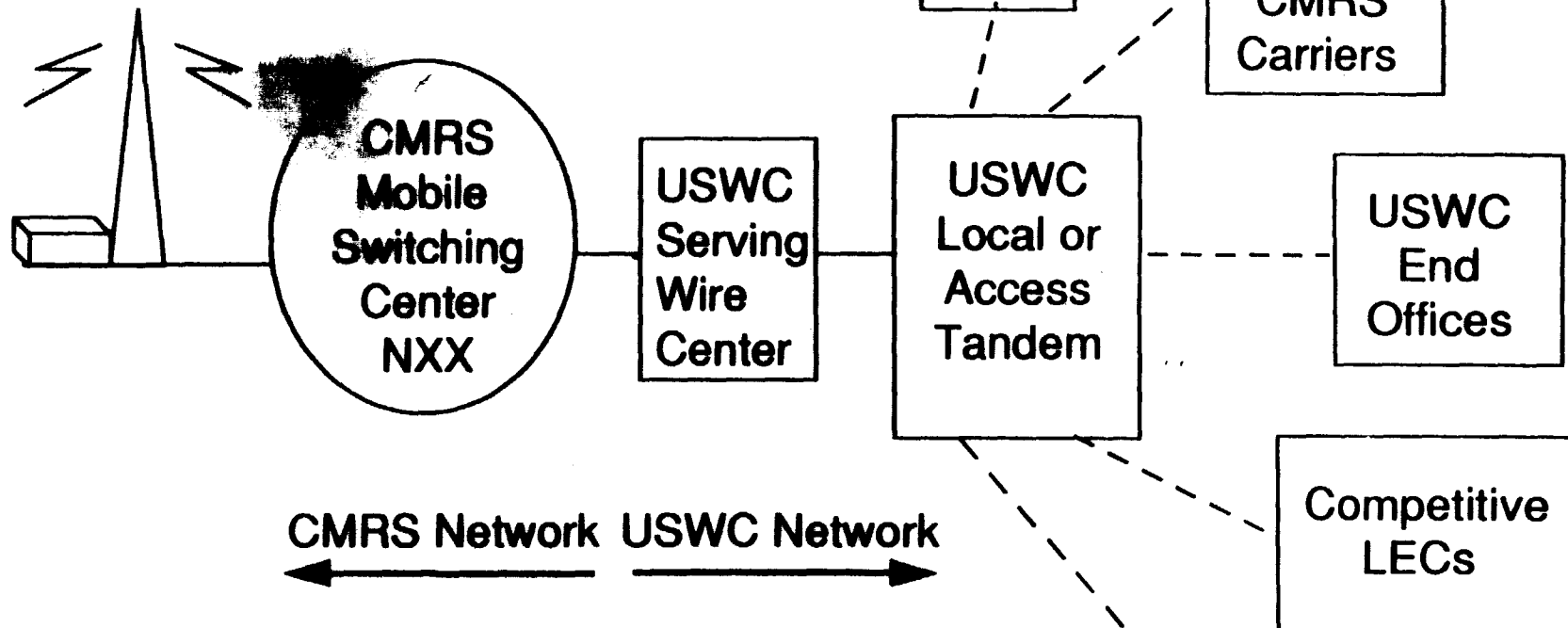
Whereas MOU access charges constitute 54% of IXC rates, they constitute approximately 3% of CMRS rates (see page 5).

**PNR and Associates, Inc., copyright 1995*

*** MTA/EMCI, 1994*

Interconnection Arrangements

Type 2A Interconnection

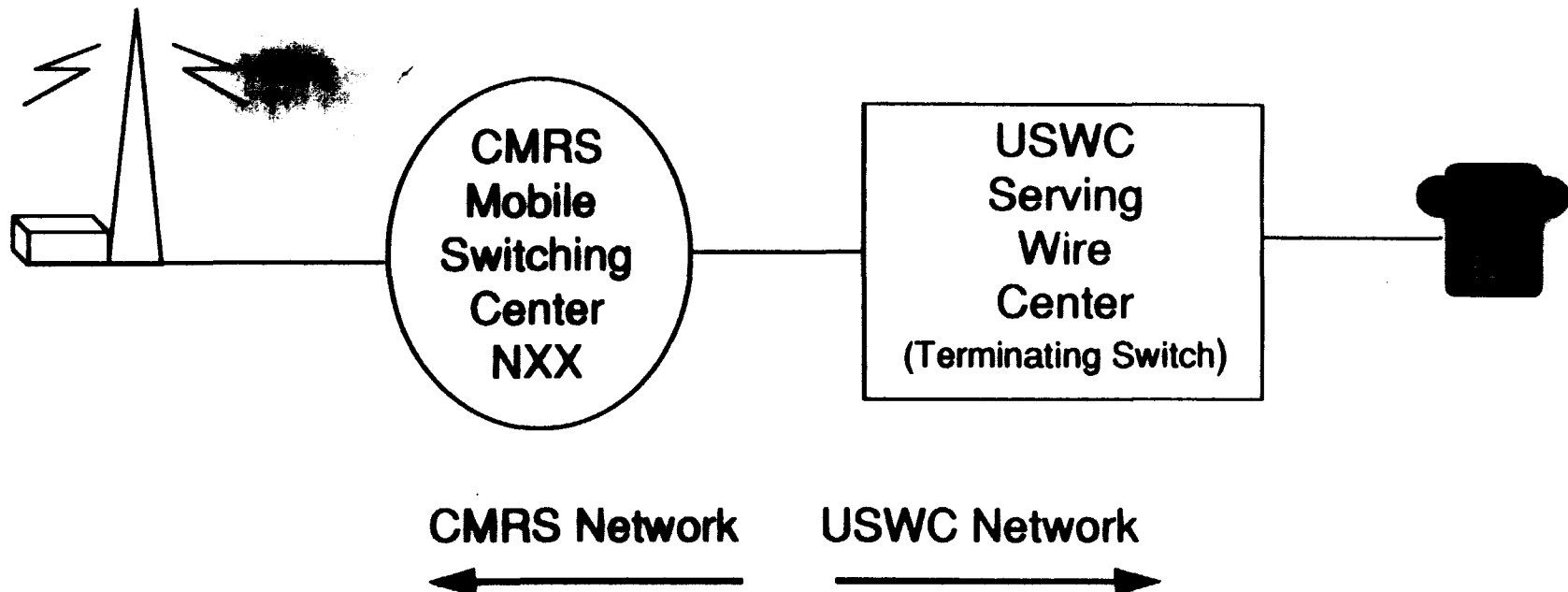


Benefits:

- LATA-wide termination
- Completion of local, intraLATA toll, Operator calls
- Completion of calls to IXCs, other LECs, C-LECs, other CMRS Providers
- Optional Services: Wide Area Calling, Calling Party Pays

Interconnection Arrangements

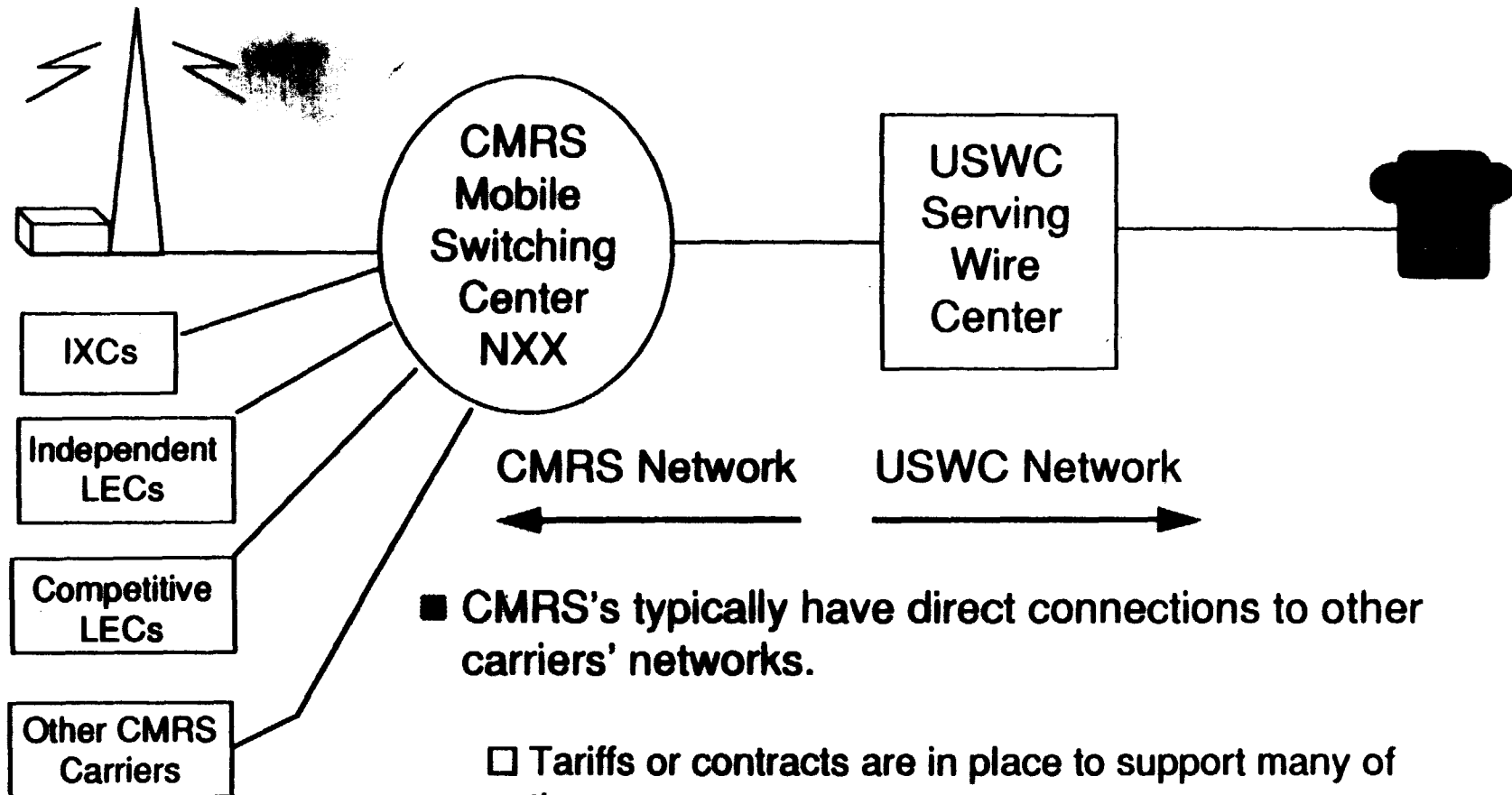
Type 2B Interconnection



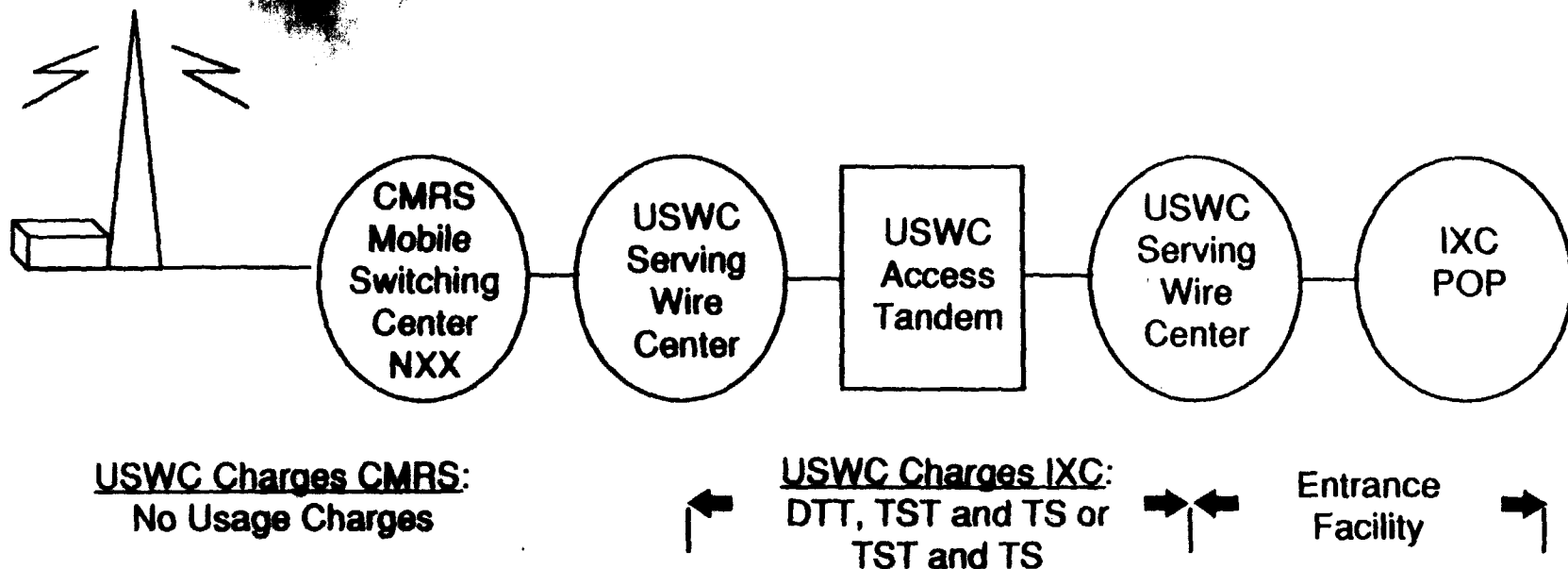
Benefits:

- Optional offering
- Dedicated trunk group to aggregate traffic to a high use central office
- Traffic may overflow to a Type 2A
- Priced 15% below Type 2A
- Optional Services: Wide Area Calling, Calling Party Pays

CMRS ALTERNATIVES TO TYPE 2 INTERCONNECTION



TRANSIT: USWC RECOVERS ONLY ITS PORTION OF ACCESS TO IXCs



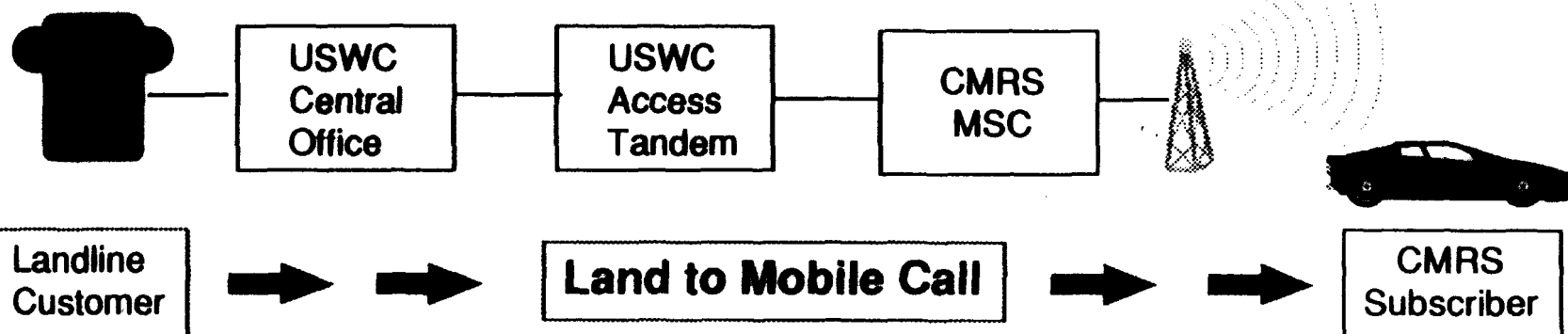
CMRS may charge the IXC End Office Switching charges.

- Bell Atlantic Mobile's Arizona Tariff ACC No. 2 for IXC access covers:
 - a) LEC access tandem connections
 - b) direct connections
 - c) special arrangements

Although USWC does not charge the IXC End Office Switching charges for CMRS-transited calls, the CMRS may choose to bill the IXC these charges.

UNDER CALLING PARTY PAYS (CPP), LANDLINE CUSTOMERS COMPENSATE CMRS'S FOR THE USE OF THEIR NETWORK

- CPP is a billing product. Landline customers are charged for cellular airtime.



USWC Bills the Landline Customer
 Monthly charges
 Toll, if applicable
 CMRS's CPP Charges, which recover
 * Premium airtime charges and B&C costs

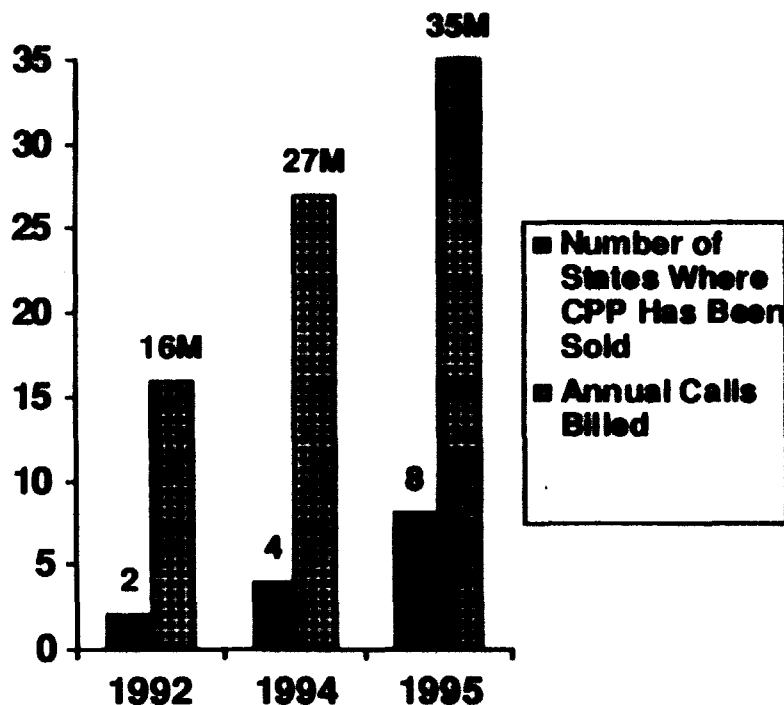
CPP is a form of compensation.

CMRS Bills Its Subscribers
 Monthly service fee and monthly
 CPP price plan fee

USWC remits to the CMRS
 CPP Charges per MOU

CMRS pays USWC
 Billing & Collections per message

CPP IS NOW SEEN AS THE BILLING PROTOCOL FOR NEW CMRS'S



- CPP is a key business strategy for PCS
- Paging companies see the value of usage-based pricing
 - Past - No usage charges, low monthly fee
 - Present - CPP enables usage charges paid by landline customers, with no charges to paging subscribers

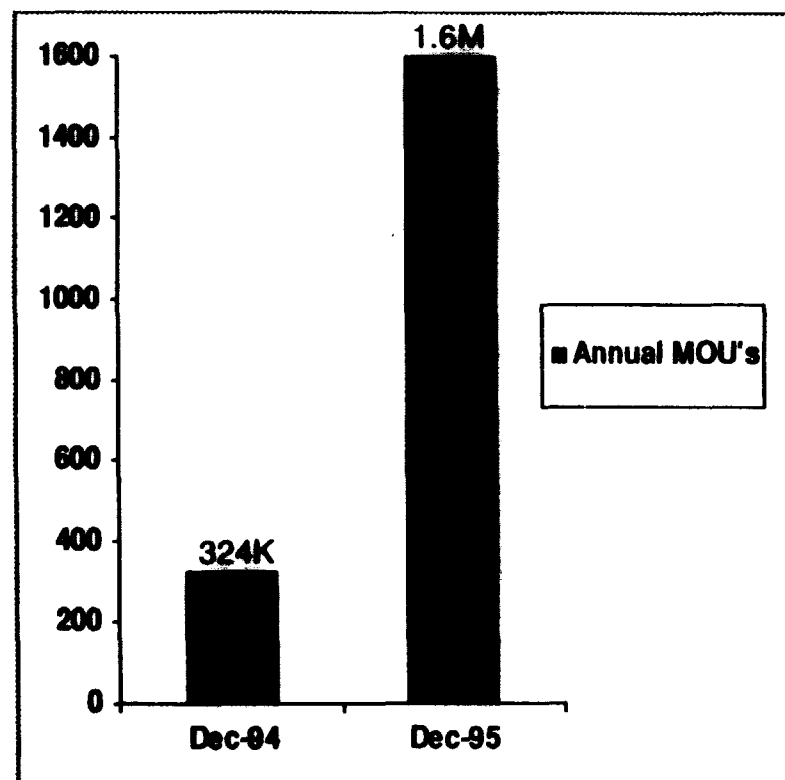
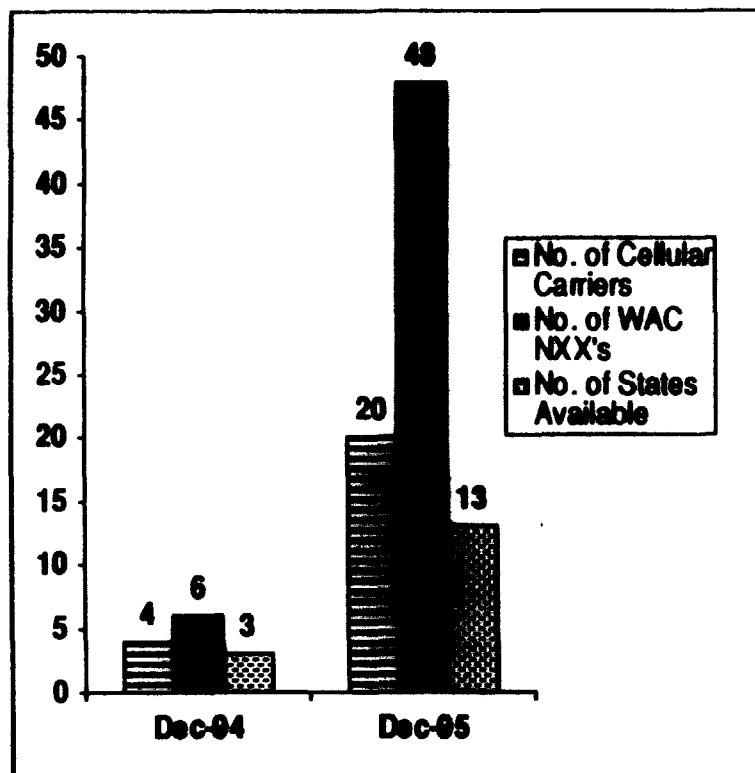
PCS Entrants' and Paging Companies' CPP Services will accelerate growth.

**UNDER WIDE AREA CALLING (WAC), CMRS ENABLE
LANDLINE CUSTOMERS TO REACH THEIR
SUBSCRIBERS WITHOUT INCURRING TOLL CHARGES**

- WAC works like 800 service
- WAC stimulates CMRS usage
 - USWC waives intraLATA toll charges for landline users
 - CMRS providers pay USWC a discounted rate for toll and may recover these charges, as they wish, from their subscribers
 - Looks like a local call--landline customer only dials 7 digits
- WAC reduces CMRS's costs - fewer points of connection needed
- Introduced in response to CMRS requests in 1992
 - Redefined based on CMRS input and rolled out across USWC in 1995

USWC continues to introduce new products in response to CMRS needs.

WAC HAS EXPERIENCED SIGNIFICANT GROWTH SINCE ITS INTRODUCTION



PCS entrants' and Paging Companies' WAC services will accelerate the growth.

USWC'S INTERCONNECTION OFFERINGS HAVE BEEN CONTINUALLY REFINED TO MEET THE NEEDS OF THE CMRS INDUSTRY

1984-1990	1991-1993	1994-1996
<ul style="list-style-type: none"> ■ Rates varied by state, structure varied by Company ■ Only Type 2A available ■ Usage rates varied by local and toll, distance sensitive ■ Usage self-reported by carrier ■ Usage rounded to the next whole minute, by call 	<ul style="list-style-type: none"> ■ One structure, one rate, USWC-wide ■ Type 2B network configuration introduced. ■ Usage rates no longer differentiated between local and toll, still in distance sensitive mileage bands ■ Usage self-reported by carrier ■ Usage rounded to the next whole minute, by total billing period 	<ul style="list-style-type: none"> ■ One structure, one rate, USWC-wide ■ Type 2B discounted price option introduced. ■ Postalized usage rates for all calls within a LATA with a Growth Discount <u>available to all</u>. ■ Usage recorded by USWC ■ Usage rounded to the next whole minute, by total billing period

"Pursuant to 'good faith negotiations,' cellular carriers have negotiated contracts for the particular type, location, timing, and price for interconnection that meets the needs of their particular system. This flexibility has served the industry well, resulting in more diversity between competing systems and lower interconnection charges."

AirTouch. Docket 94-54



POLICY IMPLICATIONS

- **NPRM Impacts**
- **An Interim Interconnection Plan is Unnecessary**
- **LEC - CMRS interconnection should be considered in the Section 251 (D) (1) Interconnection Proceeding which should be concluded by August 8, 1996**

CMRS INTERCONNECTION CONTRIBUTES TO THE INTRASTATE RATE BASE

- CMRS carriers have not reported any interstate traffic to USWC
 - ☐ Interconnection is regulated under state tariffs or contracts
 - ☐ Interconnection revenue is booked as intrastate
 - ☐ Interconnection revenue becomes part of the rate base used by the state regulators to achieve their public policy objectives including Universal Service
- Under "Bill and Keep" intrastate revenue would be lost

CMRS interconnection provides \$0.49 per month per USWC residence customer.

“BILL AND KEEP” IS AN INAPPROPRIATE METHOD OF LEC-CMRS COMPENSATION

- Traditionally “Bill and Keep” has been applicable to the exchange of local traffic between companies which served individual franchise areas and had the same universal service obligations.
- “Bill and Keep” assumes:
 - Equal quantities of traffic in each direction*
 - CMRS-to-Landline is 70% of traffic
 - Landline to CMRS is 25% of traffic(* 5% of the traffic is CMRS to CMRS)
 - Equal costs incurred by both networks
 - 92% of CMRS traffic is transported through two or more USWC switches
 - Higher cost LEC networks would be subsidizing lower cost CMRS networks

“Bill and Keep” would promote network inefficiencies by CMRS requesting interconnection points to maximize their use of the LEC’s network, thereby minimizing their network construction costs

AN INTERIM INTERCONNECTION PLAN IS UNNECESSARY

- Existing interconnection arrangements have not impeded CMRS growth
 - CMRS growth has been phenomenal
 - USWC interconnection rates have declined
- USWC has developed products to meet CMRS needs and foster growth
 - Available to all CMRS, including new entrants

"When considering how best to ensure fair and efficient interconnection arrangements between LECs and CMRS providers [i.e., negotiated contracts vs. tariffs], the Commission should be guided by the old adage, 'if it ain't broke, don't fix it'." CTIA Docket 94-54, Reply

In the Future ...

- LECs will not be able to distinguish the type of traffic originator
 - Mergers between IXC's, cable companies, LECs, CMRS, C-LECs
 - Technology should not be the determinant of pricing
- All interconnectors should pay similar charges for similar interconnection arrangements